

OVERSIGHT HEARING

CENSUS 2010, OFF-LINE AND OFF-BUDGET:

THE HIGH COST OF LOW-TECH COUNTING

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TUESDAY, JUNE 6, 2006

United States Senate,

Committee on Homeland Security and Governmental Affairs,

Subcommittee on Federal Financial Management, Government

Information, and International Security

Washington, D.C.

The Subcommittee met, pursuant to notice, at 2:32 p.m.,

in room SD-342, Dirksen Senate Office Building, Hon. Tom

Coburn, Chairman of the Subcommittee, presiding.

Present: Senators Coburn and Carper.

Senator Coburn. Good afternoon. The Federal Financial

Management Subcommittee of the Homeland Security and

Governmental Affairs Committee will come to order.

I want to welcome each of our guests.

I have an opening statement and Senator Carper will be

arriving shortly. We will go on with our hearing and,

dependent on when he arrives, we will allow him a chance to

give an opening statement.

I want to thank you for the preparation for this

hearing and working with our staffs. It has been great to

work with you.

1 Usually, when we think about the census, we think about
2 statistics. The Census Bureau has become the largest
3 statistical agency in the country, if not the world. But
4 behind its data collection is a steadily increasing price
5 tag for the decennial census which, until recently, has
6 managed to stay under the radar of Congress. As we approach
7 the 2010 census, though, it is becoming increasingly
8 apparent to me that costs are spiraling upward at a
9 startling rate.

10 The 2010 census is projected at the present time to
11 cost nearly \$12 billion. That is \$5 billion more, an 80
12 percent increase, over the 2000 census. And that is the
13 estimate which we are going to hear about today, the numbers
14 behind that.

15 The 2000 census, in turn, cost \$4 billion more than the
16 1990 census, at the time a more than 100 percent increase.
17 This is all part of a disturbing trend in recent decades
18 which witnessed dramatic cost increases from one census to
19 the next.

20 Adding to our cost problem is a culture problem. The
21 census seems to be operating under an early 20th-century
22 mentality when pen and paper were the only tools available.
23 The Internet is now available. For the next census in 2010,
24 the Bureau has decided not to offer an online option,
25 choosing rather to stick with the system that is in place as

1 of today.

2 In an age when people do everything online, from
3 shopping to banking to filing their tax returns, a record 70
4 million tax returns this last year were filed online, the
5 Census Bureau is lagging behind, needlessly adding to its
6 already high cost and also adding to its time delay.

7 I think this is also a mission problem. Census is
8 tasked with counting the population and it needs the help of
9 all citizens to pull it off. Participation in the census
10 would be easier to obtain for more people with fewer census
11 personnel if an online option were available.

12 The purpose of this hearing today is to examine what is
13 behind the skyrocketing cost at the census and what can be
14 done about it. I hope to get answers to questions as how
15 well has the census been planning for the 2010 count? What
16 assurances can we have that the cost overruns in the
17 billions will not take place next time like they have so
18 many times before? And number 3, why was an online options
19 suddenly rejected? And what will it take to get that back
20 into the plans for 2010?

21 The best cost estimate being provided by the Census
22 Bureau for 2010 is \$11.3 billion. Unfortunately though, if
23 history is any guide, that estimate will bear little
24 resemblance to reality in 2010. As you can see from the
25 chart, from 1940 to 2010, the 1970 to 2000 000 cost for the

1 census increased sharply. Some of that is related to
2 Congress's requests for increased data.

3 Costs jumped most significantly between 1970 and 1980.
4 Since 1980 the cost of the census has doubled every decade.
5 In 2010 it is shaping up to be the same story once again
6 with a cost increase over the 2000 census of at least \$5
7 billion and most probably \$7 billion. No one seems to be
8 willing to apply the brakes.

9 Some, including the Census Bureau itself, have blamed
10 about inflation, population growth, but what we need to do
11 is look at the facts. After inflation cost of the Census,
12 if you look at the next chart from 1970 to 2010, in the
13 decade between 1990 and 2000, when inflation was amazingly
14 low, 27 percent, the cost of the census increased 154
15 percent. Between 2000 and 2010 with 10-year inflation
16 numbers again expected to be low, the cost of the census is
17 expected to be increased between by 70 and 90 percent.

18 The situation is the same when the population growth
19 numbers are compared with census costs. In 1990, the census
20 cost \$10 a person and in 2000 it cost \$23 per person. But
21 in 2010, the census will cost a staggering, at a minimum,
22 \$36 per man, woman and child in this country.

23 That is much more than it cost to file your taxes
24 electronically with the IRS, and yet the Constitution
25 requires us to count the heads.

1 The bottom line is that the census costs are shooting
2 upward at an unacceptable rate. Many of the problems are
3 with Congress and what we have asked for. But some of the
4 excuses that we have been given are without merit.

5 What then are the real causes of the large cost
6 increase between 2000 and 2010? The Census Bureau, through
7 their testimony, attributes it to factors such as increased
8 difficulty of finding non-English speakers and people living
9 in non-traditional housing. The Bureau also claims that as
10 the population grows, counters will have to knock on more
11 doors to make up for people that do not mail back their
12 forms and that costs money. That is true. But when all
13 these factors are accounted for, it still remains unclear
14 how we get to a number approaching \$12 billion to \$13
15 billion.

16 The Government Accounting Office, Congress's watchdog
17 agency, has analyzed the Bureau's cost projection and was
18 equally mystified. As a result, they recommended more than
19 2 years ago that the Bureau compile all its planning
20 information into one master document to help Congress
21 understand its long-term budget. Census agreed to do so but
22 2 appropriation cycles have now come and gone, and still
23 there is no document.

24 How is Congress supposed to fulfill our oversight duty
25 effectively without understanding this basic information?

1 Or is that the point? I assure you, we will not let this
2 issue drop. There will be a planning document that itemizes
3 the cost projections down to the dollar.

4 Knowing projected costs is only the first step. You
5 will see, on this chart, transparency is only the first step
6 to accountability. Frankly, all of these issues should have
7 been worked out after the 2000 budget busting debacle. As
8 late as 1998, the Bureau projected cost of \$4 billion to \$5
9 billion. When all was said and done, the final cost was
10 more than \$6.5 billion, a cost overrun over estimates of
11 greater than 30 percent. If the 2010 census faces a cost
12 overruns similar to that in 2000, it will put the final
13 price tag at \$15 billion. It is not simply a matter of
14 possibility, it is an inevitability unless something is done
15 right now to reassess the cost structure associated with the
16 census.

17 One of the most obvious solutions to long-term cost
18 containment is for the Agency to join the rest of the world
19 in cyberspace and offer the census online. As you can see
20 from this chart, the percentage of American adults online
21 now exceeds 72 percent. It is estimated that that will be
22 above 85 percent in the year 2010. An online census would
23 allow the Census Bureau to virtually eliminate its paper
24 intensive systems, to cut back dramatically on the need for
25 house calls, and to allow faster data integration.

1 In just last 5 years, the Federal Government has made
2 extraordinary strides with its e-government initiatives to
3 the point that every citizen can now file their taxes
4 online. Certainly, if citizens can file their taxes online,
5 they can be counted on line. And so it is puzzling to me
6 why the census has taken the online option off the table for
7 2010.

8 To say an online option is not practical or cannot be
9 done simply defies the plain fact that 73 percent of all
10 Americans are already online and the Federal Government
11 e-government sites are the number 1 place that they visit.

12 Canada just last month showed us that it can be done
13 and conducted its national census and offered it online to
14 all of its citizens. This is not just something that we can
15 do. It is something that must be done.

16 In the medical world, we have a word for it when the
17 number of cells in the body increases at a rate faster than
18 the underlying conditions that usually govern cell division
19 would predict. It is called cancer. The underlying factors
20 governing the cost of counting Americans do not justify the
21 staggering cost increases in the census. Americans get it.
22 They get that it is easy to do things online. They get that
23 it is not complicated for a Federal agency to know who they
24 are and some basic information about them.

25 The Government, for the most part, already knows

1 practically everything there is to know about us, from what
2 is in our bank accounts to our health status in retirement.
3 I simply cannot sell the cost increases that I am seeing to
4 my constituents in Oklahoma, and I will not defend them to
5 the constituents in this country. Americans are not buying
6 it.

7 There is still time to make him mid-course adjustments
8 for 2010. Our children and grandchildren cannot afford for
9 us to punt these problems until 2020 or 2030. My hope is
10 that this hearing will help get us back on the right track
11 right away.

12 And I want to thank you again for your efforts to be
13 here and our thank you for our witnesses to be here.

14 Let me introduce to you, if I can, our panel of
15 witnesses. First is the Brenda Farrell. She is acting
16 Director of Strategic Issues, U.S. Government Accountability
17 Office.

18 In November 2005, Ms. Farrell was appointed Acting
19 Director for Strategic Issues, where she is responsible for
20 overseeing 3 major bodies of work related to census,
21 strategic human capital and government regulation issues.

22 Prior to joining Strategic Issues teams, Ms. Farrell
23 was Assistant Director for Defense Capabilities in
24 Management and led military personnel engagements
25 encompassing bodies of work in military pay and benefits,

1 Reserve and National Guard mobilization issues, and military
2 officer requirements and career development.

3 She began her career at GAO in 1981 and has served in a
4 number of areas. In 2001, she was selected to enter the
5 National Defense University Industrial College of the Armed
6 Forces and earned a master's degree in national resources
7 strategy.

8 She has also completed other specialized training in
9 subject matter expertise such as defense manpower and force
10 management. She completed the Leadership Development
11 Program at Eckerd College in 2004. And in 2005, she
12 completed the Senior Executive Fellow Program at Harvard
13 University.

14 Her numerous awards include Results through Teamwork
15 Awards in 2004 and 2003, and award for high quality products
16 and client relations in 2003, and a GAO honor award for
17 sustained extraordinary performance leading multiple highly
18 complex defensive reviews in 2002.

19 Charles Louis Kincannon is the Director of the U.S.
20 Census Bureau. He was appointed by President Bush and was
21 unanimous confirmed by the Senate on March 13th, 2002.

22 He began his career as a statistician at the U.S.
23 Census Bureau in 1963 after graduating from the University
24 of Texas at Austin. Congratulations on that wonderful
25 national championship.

1 He held positions of leadership at the Census Bureau
2 and also with the Office of Management and Budget. He
3 served as Deputy Director of the Census Bureau during the
4 1980s and as Acting Director during the crucial final phase
5 of preparation for the 1990 census.

6 Throughout his career with the Federal Government, Mr.
7 Kincannon sought to strengthen relationships between
8 statistical agencies as well as data users in order to
9 produce timely, relevant data that informs public policy and
10 decision making.

11 In October of 1992, Mr. Kincannon was appointed as the
12 first Chief Statistician in the Organization for Economic
13 Cooperation and Development, the OECD, in Paris to
14 coordinate the organization's statistical programs, as well
15 as advise the OECD Secretary on general statistical policy.
16 During that time, he encouraged cooperation and
17 understanding amongst statistical agencies and underscoring
18 the large relationships between the nations.

19 I again want to thank each of you for your cooperation.
20 Mr. Kincannon, we are going to recognize you first and give
21 you an opportunity to speak. Take the time that you need.
22 And then we will recognize Ms. Farrell. You are recognized.

1 TESTIMONY OF HONORABLE LOUIS KINCANNON, DIRECTOR,
2 U.S. CENSUS BUREAU

3 Mr. Kincannon. Thank you, Mr. Chairman. Let me move
4 this a little closer.

5 On behalf of the Census Bureau, I want to thank the
6 Chairman and presently Senator Carper for the opportunity to
7 update the Senate on the re-engineered 2010 census program.
8 The decennial census program is the Bureau's largest
9 activity and its highest budget priority. In fact, it is
10 one of this nation's largest peacetime mobilizations and is
11 mandated by the Constitution.

12 In the past the census provided comprehensive detailed
13 information once every decade. Yet there is an increasing
14 need for such data more frequently at the local level. The
15 American Community Survey, one of the components of the
16 re-engineered 2010 census program, will address this need.

17 The American Community Survey, or ACS, replaces the
18 long form of the census, a crucial step in realizing a short
19 form only census. In the past, we collected long form data
20 as part of the decennial census. As such, it was costly and
21 it complicated our effort to conduct a basic enumeration.

22 The American Community Survey collects information on
23 education, income and other social and economic
24 characteristics. Every question on the ACS is mandated by
25 Federal law or fulfills Federal requirements.

1 The ACS will provide timely, accurate information for
2 every county, city and neighborhood each year, not just once
3 a decade. These data will help city and community leaders
4 in every State and allow the Census Bureau to focus its
5 efforts in 2010 on the core constitutional count used as the
6 basis for apportionment and redistricting.

7 The success of the 2010 re-engineered census program
8 will also depend on the MAF/TIGER or geographic tools
9 enhancement program, an extensive nationwide operation to
10 modernize and consolidate the census address list and map.
11 This is a multifaceted effort taking advantage of
12 well-established technologies, such as GPS capabilities, to
13 improve outdated error prone map systems currently in place.

14 Much of this work is being done through a major
15 contract with the Harris Corporation, estimated at \$200
16 million in cost at the time of its award in June of 2002.
17 This activity is within budget and on schedule for
18 completion in 2008. This geographic improvement program is
19 important because ensuring the accuracy of the location of
20 each address is the guarantee that political representation
21 and resources can be distributed fairly to States, cities,
22 towns, census tracts and blocks as they are demanded.

23 Our overriding goal for the 2010 census is to improve
24 the coverage and accuracy of the census and to contain
25 costs. In response to numerous GAO recommendations, we have

1 developed a rigorous planning and testing program that
2 includes many long sought census improvements such as
3 bilingual questionnaires, a second mailing of the
4 questionnaire and targeted census coverage improvement
5 programs.

6 Another significant improvement is the expanded use of
7 technology. Our efforts have centered on 2 major systems,
8 the 2010 Decennial Response Integration System, or DRIS, and
9 the Field Data Collection Automation System, or FDCA as
10 rather uneuphoniously refer to it.

11 Both of these are IT contracts together totally over \$1
12 billion. The purpose of the DRIS contract, which was
13 awarded last year to Lockheed Martin Corporation, is to
14 ensure the accurate and protected collection and storage of
15 American's data, whether by paper form, handheld computer or
16 telephone.

17 The FDCA contract was awarded this spring to the Harris
18 Company. The purpose of FDCA is to capture directly the
19 information collected by mobile computer devices during the
20 personal interviews and non-response follow-up. This
21 eliminates the need for paper forms and address lists and
22 maps for the major field data collection operations. The
23 use of this technology is a revolutionary improvement in the
24 way we conduct the largest and most expensive activity of
25 the decennial census.

1 All of this underscores the importance of Congressional
2 support for all aspects of the 2010 decennial census.
3 Thousands of individual operations and procedures must be
4 successfully implemented in less than 4 years to ensure the
5 success of the 2010 census.

6 The President's 2007 budget request for the Census
7 Bureau is over \$800 million. \$512 million of that is for
8 the decennial programs. In the course of the decade, we
9 expect the re-engineered census will cost more than \$11
10 billion, as the Chairman said.

11 To understand the cost, consider the scope of the task.
12 It is our responsibility to count every person in every
13 community on every street and in every household. For the
14 Census 2000, we sent questionnaires to more than 117 million
15 households. 80 million of those households responded by
16 mail. For the rest, we sent census takers to collect the
17 census information. We opened 520 local census offices and
18 hired more than 860,000 temporary workers.

19 For 2010, we are projecting there will be more than 310
20 million persons living in America and that we will have to
21 count them in more than 130 million households.

22 Our increasingly diverse population is more difficult
23 to count. As we plan and test new data collection efforts,
24 we try to estimate the effect they will have on the overall
25 response rate, since the high non-response follow up is

1 truly the cost driver for the census.

2 We have successfully tested and plan to implement
3 bilingual questionnaires in selected communities, guided by
4 the results from the ACS. A second mailing will be sent to
5 non-responding households and automated field data
6 collection is a device that, along with these others, are
7 steps that will reduce cost and improve quality.

8 We have also considered other data collection and
9 methods, including Internet data collection. Based on our
10 research and testing and experience, and the knowledge of
11 experience in other countries like Canada and Australia,
12 Internet data collection would not significantly improve the
13 overall response rate to the census or reduce field data
14 collection costs.

15 In 2003 and 2005, census tests offered an Internet
16 response option. And in both cases the Internet response
17 was low and did not increase the overall response rate. It
18 merely diverted some small percentage, about 7 percent, from
19 the paper medium to the Internet, not enough to
20 substantially change our paper collection or field data
21 collection costs.

22 We are also concerned that utilizing the Internet could
23 jeopardize other planned improvements that we know will save
24 money. At this point in the decade, efforts to develop an
25 Internet response would divert attention and resources from

1 these tested and planned improvements that we know will
2 increase the overall response rate by several percentage
3 points and save money.

4 A successful census is more than a technical
5 achievement. It is the creation of a national resource that
6 empowers decision making. I hope, Mr. Chairman, you will
7 agree it is a success with supporting.

8 I thank you for this opportunity to provide an update
9 to the census and look forward to your questions.

10 [The statement of Mr. Kincannon follows:]

1 Senator Coburn. Ms. Farrell.

1 TESTIMONY OF BRENDA S. FARRELL, ACTING DIRECTOR,
2 STRATEGIC ISSUES, U.S. GOVERNMENT ACCOUNTABILITY
3 OFFICE

4 Ms. Farrell. Thank you Mr. Chairman.

5 Senator Coburn. It is hard to remember.

6 Ms. Farrell. I know, and I was warned beforehand, too.

7 Mr. Chairman, thank you for the opportunity to be here
8 today to discuss the mushrooming costs of the decennial
9 census, now estimated to be over \$11 billion, as well as the
10 actions that the Census Bureau is taking to contain those
11 costs.

12 Let me briefly summarize my written statement that is
13 based on findings from our issued reports, as well as
14 preliminary results from ongoing work that we plan to issue
15 within the next few weeks on the Bureau's efforts to build a
16 complete and accurate address list, the foundation for a
17 successful census.

18 A cost effective decennial census is a monumental
19 management challenge. It is long-term. The 2010 Census
20 protected life cycle costs spans 13 fiscal years.

21 It is large-scale. For example, if recruitment goals
22 are similar to the 2000 Census, 2.4 million applicants could
23 be recruited to carry out census operations.

24 It is costly. As already noted, according to the
25 Bureau, the next census will cost over \$11 billion.

1 It is a high risk, in that the Census Bureau has one
2 opportunity to get it right on April 1st, 2010.

3 Further, we are closely monitoring the 2010 Census to
4 determine if we should put it on GAO's high-risk list.

5 The sheer size of the census means that small problems
6 can magnify quickly and bit problems could be overwhelming.
7 For example, 60 seconds might seem like an inconsequential
8 amount of time. But in 2000, if enumerators had spent just
9 one minute more at each household during non-response
10 follow-up, it could have added almost \$10 million to the
11 cost of the census.

12 My statement today is presented in 3 parts. The first
13 addresses the extent to which the Bureau has developed
14 timely and detailed cost data for effective oversight and
15 cost control. Despite a history of cost increases, the
16 Bureau's most recent life cycle cost estimate does not
17 reflect the most current information from testing and
18 evaluation, nor provide complete information on how changing
19 assumptions may affect costs.

20 Given the cost of the census in an era of serious
21 national fiscal challenges, it is crucial for the Bureau to
22 provide Congress with more complete information such as
23 sensitivity analyses about the likelihood--high, medium or
24 low--that certain assumptions would drive costs.

25 For example, for the 2000 Census, the Bureau's

1 supplemental funding request for \$1.7 billion in fiscal year
2 2000 primarily involved changes in assumptions related to
3 increased workload, reduced employee productivity and
4 increased advertising.

5 The second part of my testimony addresses the progress
6 the Bureau has made to reduce non-response follow-up costs.
7 Since 2000, the Bureau has re-engineered the decennial
8 census and has begun new initiatives to reduce non-response
9 follow-up costs

10 These initiatives include one, using only a short form
11 census questionnaire. Two, automating field operations.
12 Three, using a targeted second mailing to households that
13 fail to respond to the initial census questionnaire instead
14 of sending an enumerator to visit houses that have not
15 responded.

16 These initiatives could reduce the workload and cost of
17 non-response follow-up. While these initiatives show
18 promise, the Bureau will be to address technological
19 challenges with the handheld mobile computing devices that
20 will be used to collect the data for non-response follow-up.

21 Third and finally, Mr. Chairman, notwithstanding the
22 significant progress the Bureau has made to address lessons
23 learned from the 2000 Census, I wish to note several
24 challenges of, if not properly managed, could increase the
25 cost of the census. These challenges include overseeing

1 contractors responsible for conducting key census-taking
2 operations totaling almost \$2 billion in contracts;
3 successfully updating address and map files; and assessing
4 the resources that will be needed to update the address and
5 maps for areas affected by Hurricanes Katrina and Rita.

6 We have made recommendations in our reports for each of
7 these 3 areas and the Bureau has said that it is taking
8 action on many of them. We will continue to assist Congress
9 in monitoring the Bureau's progress.

10 Mr. Chairman, that concludes my opening statement and I
11 will be happy to take questions at this time.

12 [The prepared statement of Ms. Farrell follows:]

1 Senator Coburn. Thank you.

2 Let me go to Mr. Kincannon. And I want you to feel
3 free to take time, if you heard something that you do not
4 think is right, Mr. Kincannon, to address it. If you think
5 there are assumptions that have made in her testimony or
6 something I have said, please feel free to address those
7 issues as we go through. This is about to get the
8 information out so that we all know.

9 I just want to go through a certain set of questions
10 with you, if I might, and just get your response.

11 Right now, we are talking about the 2010 Census costing
12 \$5 billion more than the 2000. What are the 2 or 3 biggest
13 cost drivers in that that would account, other than
14 inflation which is going to be about 25 percent. What are
15 the 2 or 3 biggest cost drivers that are accounting for why
16 this thing would increase by \$5 billion?

17 Mr. Kincannon. Before we go to the second part of your
18 question, our figures indicate that so-called Federal
19 inflation, that is the inflation rate used by OMB to
20 estimate out-year budgets, accounts for about two-thirds of
21 the total cost increase between censuses. So it is not a
22 quarter but two-thirds, unless we have a different set of
23 figures in mind.

24 Senator Coburn. The last census cost what?

25 Mr. Kincannon. The last census cost \$7.6 billion in

1 constant 2010 dollars.

2 Senator Coburn. No, what did it cost in dollars then?
3 You cannot use both sides of the inflation number. If you
4 are going to give me inflation-adjusted, it was \$6 billion,
5 \$6.4 billion or \$6.5 billion.

6 Mr. Kincannon. \$6.4 billion, if you add together the
7 dollars spent at each year in the 13 year cycle.

8 Senator Coburn. We are talking 10 years period. We
9 are talking about the same thing. You are talking about, at
10 a minimum \$11 billion, at a minimum \$11 billion, and
11 probably more likely much greater than that.

12 So we are talking \$5 billion.

13 The American public, if we are going to use
14 cost-adjusted, then we need to use cost-adjusted all the
15 way. And so we are talking real dollars.

16 The fact is in 2000 dollars, it is a 50 percent
17 increase in 2000 dollars. If you are talking 2000 dollars.

18 Mr. Kincannon. If you are talking nominal dollars in
19 2000 and nominal dollars in 2010, then yes, it would be \$5
20 billion. It is \$6.4 billion in 2000.

21 Senator Coburn. We have had an inflation rate of under
22 3 percent each year. So at the most, we are going to have
23 30 percent, or 1.3 times 1.3, so you are going to have 33 or
24 35 percent. The point being--it certainly--so let me ask
25 the question the other way, and give you all the benefit of

1 the doubt.

2 Why is it going to cost \$2.5 billion more?

3 Mr. Kincannon. It cost more because of increase in
4 population, increase in the number of housing units, a
5 decrease in the number of people per housing unit, which
6 means that--housing unit is really the unit of work in the
7 census. So those things go together.

8 The increased difficulty in getting people to respond
9 to Federal surveys or inquiries of any kind.

10 Senator Coburn. So we know that as a fact, that there
11 is a harder factor to get anybody to respond today?

12 Mr. Kincannon. Yes, there are plenty of indicators
13 that it is harder to get people to respond to surveys.

14 Senator Coburn. And there is no economies of scale?
15 If we have 600 million people, we should keep rising, in
16 terms of the cost per person to count them?

17 Mr. Kincannon. It will more than rise, in terms of the
18 cost to count each person, if there are smaller housing
19 units, smaller families living in houses or more elderly
20 living in housing units alone. The smaller the housing
21 unit, the less the productivity of getting data from each
22 housing unit.

23 Senator Coburn. The cost per person in 1970 was \$1.22.
24 At best, we are talking \$36.57 per person, and probably more
25 likely over \$40 per person. In 2000 the cost per person was

1 \$23.45, which was 130 percent more than in 1990.

2 I do not think the American people are going to buy the
3 fact that if we doubled the population we would get no
4 economies of scale out of the census organization in terms
5 of the numbers responding. If you are going to mail out a
6 survey, it what was your percentage in the 2000 Census, and
7 terms of response to the mailing?

8 Mr. Kincannon. it was 67 percent I believe, housing
9 units mailed back returns.

10 Senator Coburn. So you would not assume that you would
11 get 60-some percent out of 600 million, is you would 300
12 million?

13 Mr. Kincannon. I think we will get a higher percentage
14 out of the mail response in 2010, because we will have only
15 a short form census. And I think people will be more
16 cooperative.

17 Senator Coburn. So there is cost savings associated
18 with that?

19 Mr. Kincannon. It is not relevant to speak of the cost
20 of counting a person because we do not count the person one
21 by one. We count in housing units. So you go to the door
22 with a questionnaire by mail, or in-person if necessary. So
23 that is the relevant unit of cost.

24 Senator Coburn. So if that is the relevant unit of
25 cost, it costs \$56 to do that in 2000 and it is going to

1 cost \$88 in 2010, based on your best estimates right now.

2 And you are going to be using the short form on
3 everybody. So explain to me why that is going to shoot up
4 50 percent, more than 50 percent, on the cost per household,
5 based on your own estimates of the numbers that you gave the
6 Committee?

7 Mr. Kincannon. I thought the numbers that we gave the
8 Committee, put in constant dollars, showed an increase of 35
9 percent.

10 Senator Coburn. Let us just talk about dollars. You
11 gave the Committee \$56 per household to \$88 per household.
12 So that is \$32 on \$56. That is a significant increase. I
13 will not quibble with the numbers.

14 The question is you are going to the small form, the
15 short form. You are going to have more numbers that are
16 going to be returned because it is going to be a short form.
17 How do you explain to the American people that the cost is
18 going up \$32 per household over 10 years on a short form
19 now, when a third or 10 percent of them used to be the long
20 form. How do we explain them? How do we justify that?

21 Mr. Kincannon. Well, the cost per housing unit is a
22 function of many things. But you have to get to the housing
23 unit, you have to have the mailing list, the address list,
24 the mapping all done. That is a big component of cost. And
25 that is probably the single most important basic phase, as

1 Ms. Farrell pointed out, to making the key, the foundation
2 for an accurate census.

3 Senator Coburn. I guess probably the reason I am
4 asking these questions is because the planning documents
5 have not ever been brought forward on how you are assessing
6 these costs? How you are doing it? How do you measure it?
7 How do we get a look at it so that we have a confidence
8 level?

9 I will tell you that I will be your best friend or your
10 worst enemy when it comes to getting extra money for the
11 census. Because if it is not efficient--every year between
12 now and 2010, we are going to be looking to make sure that
13 the planning and the efficiency that can be gotten is going
14 to be gotten there.

15 The itemization of costs as a part of the planning
16 document that has been asked for 2 appropriation cycles,
17 that still is not there, let us just go to that question.

18 Where is that document? When is it coming?

19 Mr. Kincannon. I thought we had provided that
20 information to the Congress in terms of the life cycle cost
21 document, and quite a lot of dialogue about how we put that
22 together and how we updated it. If we have not satisfied on
23 that, then we need to get more specific.

24 Senator Coburn. I will have staff follow up with you
25 on that.

1 Mr. Kincannon. Thank you.

2 Senator Coburn. Let me make one other point. Welcome,
3 Senator Carper. Glad you are here.

4 According to our calculations from what we have gotten
5 from you all, the non-response follow-up in 2000, from 2000
6 to 2010, by your own submission, will cost \$1 billion more.
7 But the overall costs are increasing by \$5 billion. So if
8 those numbers are right, 20 percent of the increase in costs
9 is for the non-response. What is the other 80 percent?

10 I know you have got \$2 billion set inside for all of
11 your mapping and the other programs. What is the other \$2
12 billion?

13 Mr. Kincannon. The other \$2 billion is composed of
14 changes in the number of people per housing unit, the cost
15 of hiring and paying people, and does not yet even factor in
16 the probable increased cost in security that we will be
17 dealing with in hiring the number of people that we need.

18 If we have not given you the linkage between how we
19 composed the cost for 2010, then we can do that and we will
20 do that.

21 Senator Coburn. That will be very hopeful to us. I am
22 not sure that we have got that.

23 I am not going to hold you to this. This is just a
24 guess. I just want you to guess. What do you think the
25 highest possible total cost for the 2010 census is going to

1 be?

2 Mr. Kincannon. I would not expect a variance in real
3 terms of more than say 5 to 7 percent. And I hope there
4 will not be that much. That is a guess. That is not an
5 administration statement.

6 Senator Coburn. I understand that and you are on the
7 record as a guess.

8 Mr. Kincannon. I think it is important to look back at
9 2000 and realize that we did not have the kind of careful
10 planning, testing, revision of plans and systematic moving
11 forward that we have had so far for this census. Among
12 other things, with a year left before the census, the
13 Supreme Court handed down a decision that meant the
14 administration at that time and the Census Bureau had to
15 completely revise plans on the ground for taking the census.
16 If you do that kind of change late in the cycle, without
17 speaking to the wisdom of the change or anything else, then
18 you do have sharp increases at the very end. I hope we are
19 not going to have that kind of change.

20 Senator Coburn. I hope so too.

21 The itemization of costs is a part of the planning
22 document, that is one of the things that we want to see is
23 the itemization of how you got there.

24 Part of our problem, as members of Congress, is trying
25 to get our hands around an agency that you have got your

1 hands around and you are somewhat familiar with. We have to
2 try to become familiar with that. And so more information
3 is better, rather than less.

4 I think I will stop now and welcome my co-chair,
5 Senator Carper, for a short statement and any questions.

6 Senator Carper. Thanks, Mr. Chairman.

7 I have no statement that I will give, but I do have one
8 for the record, if I could offer that.

9 Senator Coburn. It will be made part of the record.

10 [The prepared statement of Senator Carper follows:]

11 / COMMITTEE INSERT

1 Senator Carper. Ms. Farrell and Mr. Kincannon, thank
2 you for joining us and welcome today.

3 I suspect the Chairman has already delved into this,
4 but I am going to come back and revisit it anyway.

5 In the last couple of months, we have witnessed in this
6 country an effort to sign up literally tens of millions of
7 senior citizens for Medicare Part D prescription drug
8 program. A lot of that has been done on the telephone,
9 people call, wait to get somebody on the line and call back
10 and finally maybe get somebody. They call my office, and
11 they probably call Senator Coburn's office, as well, and we
12 try to help, too.

13 A lot of people, though, signed on to the benefit
14 online. For those who did not have the computer skills were
15 able to find people in their senior center or their family
16 to help them to sign up online.

17 We, have tens of millions of people who file their
18 taxes in the month of April or other times during the year.
19 A lot of those folks did that online, as well.

20 When I was governor of Delaware, we began filing State
21 taxes, accepting State tax filings, online as well.

22 I understand that the Census Bureau has considered
23 whether or not there is a business case that justifies doing
24 the census or part of the census online. And I understand
25 that you have concluded that there is not.

1 I would just ask for you, Mr. Kincannon, to talk about
2 that, particularly in light of the work we have done in
3 other areas involving the Federal Government, Medicare, IRS.

4 And then I would ask, Ms. Farrell, if you would comment
5 on it, as well. But Mr. Kincannon, if you would take it
6 first.

7 Mr. Kincannon. The Internet is an enticing option and
8 we use electronic reporting extensively in the business data
9 that we collect. Businesses, particularly larger scale
10 businesses, seem to find that a very efficient way of
11 reporting for multiple establishments. So it is not as
12 though we do not use the Internet and other electronic means
13 of reporting when it seems to be received well by
14 respondents.

15 Almost all of the export data that we collect is
16 collected in an automated form. And both the exporters and
17 the Census Bureau like that very much because it is faster
18 and more accurate, lower in cost for us and for them.

19 We have tested Internet response to the short form only
20 census because it is short, and it would seem like it would
21 be an easier thing to handle online than an application for
22 Medicare. And certainly--you send in your completed taxes
23 based on commercial software that you file. You do not
24 actually do your taxes online in most cases, although I
25 guess in some cases they may do it with somebody's online

1 system.

2 What we found is that when we offered respondents, in a
3 test, a controlled test, the chance to fill out the short
4 form online, a few people did. My recollection it was less
5 than 10 percent, 7 to 10 percent. The total response rate
6 of the people responding by Internet and by mail on paper
7 was no greater than the control group. So we did not gain
8 any net response. We did not do any more to reduce the
9 costly non-response follow-up. That is the biggest cost
10 driver in the census, and it is our target for trying to
11 reduce that.

12 When we conducted a test where we emphasized the
13 importance of responding on the Internet, we sent people a
14 letter or a card, I do not remember which, where we said we
15 want you to complete this form. Go to this site, use this
16 control number so we know who you are and where you are,
17 what your address is. And if you do not have access to a
18 computer or do not wish to use the Internet, call this
19 number and we will mail you a questionnaire.

20 The overall response plummeted. About 30 percent of
21 people did file on the Internet, but the total response was
22 less than half the universe response that we scratched the
23 universe of response that we expected.

24 So looking at our experience there, we do not see that
25 we gain any business advantage of reduced cost or being able

1 to predictably reduce substantially our infrastructure for
2 handling the paper questionnaires. I do not know why that
3 is, but it is a fact that we have tested that, and that is
4 the indication.

5 It may be that the paper questionnaire, being only
6 about 8 questions, tested takes about 10 minutes for a
7 family of 4 to fill it out. The easiest thing to do is just
8 to fill it out and mail it in. or maybe people decide what
9 they are going to do it on the Internet and then do not get
10 around to doing it.

11 I do not know the explanation.

12 Senator Carper. Let me just interrupt you for a
13 moment.

14 Roughly how much does it cost per household to get them
15 to complete and submit their questionnaire for the census?
16 Can you attribute a cost of that? Is it \$50, \$60, \$70 for
17 responders?

18 Mr. Kincannon. For people returning their
19 questionnaires, for responders? I cannot. Do we know the
20 cost?

21 I do not know, but let us say it is \$10 or something.
22 I do not know what the cost is. You print the
23 questionnaire. You mail it. You pay the postage coming
24 back, and you scan it in. It is very modest.

25 Senator Carper. Does that include all of the costs?

1 Is there something missing there?

2 Mr. Kincannon. I do not know whether it includes all
3 of the costs. It includes the operational cost of sending
4 out and receiving.

5 Senator Carper. I think the Chairman said those are
6 the variable costs.

7 Chairman Coburn. Those are the variable costs.

8 Senator Carper. And are there fixed costs that you are
9 able to--

10 Mr. Kincannon. Sure. You have to have the maps, you
11 have to have the tabulating software and all kinds of things
12 to deal with that. And you have to have all of the
13 receiving, scanning and other kinds of equipment there to
14 do.

15 If you take responses also on the Internet, you have to
16 have a means of converting those to the same compatible
17 format with this other information.

18 So that is all fixed costs. You have to do that if you
19 get one back by Internet or 2.

20 Senator Carper. Let me just continue on where I am
21 going. Could you conceive of a situation where we could
22 significantly increase the percentage of folks who would
23 respond online by offering them, rather than just to say
24 thank you but offering them some kind of financial
25 remuneration for those who responded online?

1 Mr. Kincannon. There is a good deal of evidence in
2 survey research literature that offering cash incentives or
3 other kinds of incentives can have effect on response. But
4 it also costs something.

5 Senator Carper. Have you all ever looked at whether or
6 not the amount of remuneration that might be called for
7 would more than pay for itself?

8 Mr. Kincannon. I am not aware that we have looked at
9 that on the census. We have examined it and do use
10 incentives on household surveys. And we may have looked at
11 it, but I am not aware of that.

12 Senator Carper. Let me turn to Ms. Farrell, if I
13 could. Thank you for your responses. Let me turn to Ms.
14 Farrell if I could, and your comments on these issues,
15 please.

16 Ms. Farrell. The Bureau raises some important
17 considerations regarding the security of the Internet and
18 the cost savings. As technology has advanced, we know that
19 Federal agencies have found the benefits of using the
20 Internet and other collections. And it should be noted that
21 GAO did put information security on our high risk list back
22 in 1997. But that does not mean that those obstacles cannot
23 be overcome, and that they should not be explored to be
24 overcome.

25 We have not seen what the business case is behind the

1 Bureau's decision to drop the Internet. We have asked. We
2 were told that there was not a business case made for that
3 determination. But the decision was a sound business
4 decision.

5 Senator Carper. Would you say that again, please?
6 Just repeat what you said.

7 Ms. Farrell. In terms of the business case, we were
8 under the impression that the Bureau had developed a sound
9 business case to base that decision to drop the Internet
10 from their contract that was let last October. But when we
11 asked for such information, we were informed that we had
12 misunderstood and that there was no business case that they
13 had actually developed.

14 I think it is important to note that the Bureau did
15 explore and offered the Internet as an option for the 2000
16 census, and they had a low response rate. It perhaps could
17 have been because of low advertising. We do not know. We
18 have not seen what the Bureau has done to explore the use of
19 the Internet from 2000.

20 It has been puzzling to us, as to when the Bureau did
21 mention its use of the Internet in its 2000 life cycle cost
22 estimate, which is a very top level cost estimate without
23 the itemized cost that you are referring to, Mr. Chairman,
24 they referred to it as a possible cost savings. By the time
25 they did a revision 2 years later, they noted that the

1 response rate was not as high as they had anticipated it
2 would be.

3 But following that June 2003 referral to the response
4 rate not being as high, was included--our understanding, in
5 the contract that was let in 2005 to offer it.

6 Thus, we just feel that the decision to drop the
7 Internet has raised more questions about what the decision
8 was based on and what the true facts are behind the response
9 rate and how it was offered.

10 Senator Carper. We are not the only country that does
11 a census. I presume most of the major countries in the
12 world do a census. I do not know if they do it every 10
13 years. Can you just give us some idea, Mr. Kincannon, if
14 that is the case?

15 Mr. Kincannon. Most countries throughout the world do
16 conduct censuses, some at irregular intervals, some every 10
17 years, a few every 5 years. Increasingly, countries,
18 particularly in Latin America and some European countries,
19 are moving to activities somewhat like the ACS where a part
20 of the census is taken on a continuing basis and if an
21 enumeration is legally needed, they take that.

22 A number of European countries no longer take a census.
23 Either they rely on a population register or other kinds of
24 administrative records as a basis for an estimate of
25 population. And they may use that as a basis for surveys.

1 You know we use our census as a basis sampling frame for
2 surveys.

3 We do not have a population register. We do not have
4 any consistent or coherent set of administrative records
5 that form the equivalent of a census.

6 Most European countries, frankly, do not have very
7 dramatically changing populations, either because of natural
8 increase or immigration. So we face a different situation.

9 Senator Carper. Let me just ask, if I can, Mr.
10 Chairman, just one follow-up question. Are we aware of some
11 practices that other countries are following that we might
12 want to consider emulating? Are there some best practices
13 out there, that either of you are aware of, that we have
14 borrowed from or maybe we ought to? Particularly with
15 respect to the use of the Internet.

16 Mr. Kincannon. We have examined use of the Internet in
17 some other countries, in Australia, New Zealand, and Canada.
18 In some cases they have a slightly higher return rate on the
19 Internet than we have had in our tests. But in no cases, in
20 their view, has it managed to save them money as an offset
21 by increasing total response. Again, I do not know how to
22 explain that, but it does seem to be a similar experience.

23 Canada offered it to everybody because under Canadian
24 law government communications must be available to people in
25 Internet form, as well as other forms, and in 2 languages.

1 But they found it cost them more and did not, as my
2 understanding at this stage of things, that it has not
3 increased overall response.

4 We do look at what other countries do. There are
5 systematic examinations, particularly done through U.N.
6 bodies, where methods are looked at cross-country and
7 shared. And we have, over time, incorporated some of the
8 ways that other countries have improved their censuses and
9 vice versa.

10 Senator Voinovich. Thank you.

11 Ms. Farrell, anything that you want to add to that,
12 quickly?

13 MS. FARRELL: No, we have not looked at other
14 countries. We are aware of the Canadians, but we have not
15 actually studied them.

16 Senator Carper. Thank you both.

17 Senator Coburn. I am a little bit aware. The
18 Canadians just completed their first one. They had a 22
19 percent participation rate. That is 3 times what you
20 testified that your test was. And the number that you all
21 tested was, I think you will agree, was an extremely small
22 number in your test batch; correct?

23 Mr. Kincannon. 250,000 households.

24 Senator Coburn. 250,000 households. And that was done
25 2 years ago; is that right?

1 Mr. Kincannon. In 2003 and 2005.

2 Senator Coburn. So it was done in 2003 and 2005.

3 Mr. Kincannon. That encompasses the control group and
4 the test groups.

5 Senator Coburn. So if, in fact, you just had a 22
6 percent response rate in the United States, you would save
7 \$300 million online. You said it is \$10 variable cost to
8 mail it out, to have them fill it out, pay the postage and
9 bring it back and then code it in. To do that online, you
10 would save \$300 million if you only had 22.

11 And then you divide that by \$80 rather than \$88 for a
12 non-responder, and what you get is you can contact another
13 20,000 homes by the money that you could save, or 25,000
14 homes--no, 35,000 homes, with the money you could save just
15 if you had a 22 percent response rate.

16 Mr. Kincannon. Mr. Chairman, if we got a 70 percent
17 response rate, we could pay off part of the national debt, I
18 suppose. But we do not have that.

19 Senator Coburn. No, we cannot.

20 The point is that you are looking at the box as it is
21 today, and I am wanting you to look at the box at what it
22 can be on the Internet. Things have changed between now and
23 2000, in terms of the response rate. The Internet changes
24 so fast.

25 And the fact is that most people, if given the

1 opportunity and the inducement, or at least the awareness
2 through advertisement, I would guarantee if you just polled
3 them. Would you rather fill out something online or fill a
4 piece of paper out and put it in the mail, they would much
5 rather--90 percent of the people who are computer literate
6 in this country would rather send it the other way.

7 So if, in fact, there are savings to be made by a small
8 number, if you only got a quarter of the people doing it,
9 you would tremendously save money both in terms of the
10 variable costs, but also in terms of the non-responder cost.

11 And so I do not understand why you take at a point in
12 time now and say because we had this one test, that we are
13 going to make an assumption that in 2010 we are not going to
14 use the most modern communication methods that we have, that
15 have all of the potential, and then try to promote them.
16 Rather than to say work we are going to throw this out and
17 we are not going to utilize this system that everybody
18 already has. 74 percent of the households in this country
19 already have this tool.

20 If you had 74 percent of them, that is 100 million.
21 That is \$1 billion that you would save if you could just get
22 them online. That \$1 billion would come close to paying for
23 a lot of the cost of the non-responders.

24 Mr. Kincannon. The Canadian response rate, calculated
25 in the same terms that we did, would be 14 percent, not 22

1 percent. If you take it as percent of the universe invited
2 to respond, as opposed to the 22 percent, which is a percent
3 of the actual responders. But still, the point remains.

4 I would like to know what form your guarantee would
5 take? You said you would guarantee that.

6 Senator Coburn. A figure of speech.

7 The fact is, where is the large test to see what would
8 do? You have done 250,000 people in 2003 and 2005 on a cost
9 project that is \$25 million. I mean, \$25 million, you can
10 put this package in. And you could utilize--\$25 million
11 compared to the cost that you all are going to spend to have
12 a package that would allow people to do this, to me, seems a
13 small price to try that experiment.

14 And then if you promote it, what about just the \$10 per
15 household that you would save on the people that might file?
16 That is not worth it?

17 Mr. Kincannon. The Canadians did not save any money
18 either. Did they tell you they saved money?

19 Senator Coburn. No, we have not finished with the
20 Canadians.

21 Mr. Kincannon. We asked them about that.

22 Senator Coburn. But the point is that this is the
23 first year. Under the leadership that I see now, we are
24 never going to get to the Internet on this because we are
25 never going to be able to say in advance that we can get

1 there.

2 I would just tell you, step back for a minute and look
3 at everything. People did not used to bank online. You
4 could not trust to pay your bills online. You could not use
5 a credit card online. You could not do any of the things.

6 If the people would have had the same attitude, we
7 would not be doing any of the stuff online now.

8 What I am asking you to do is reconsider and relook at
9 this. And I am interested in how is it that we cannot
10 figure out some way to utilize this technology to save us
11 money? And what you all have said is we cannot. You have
12 not said maybe there is another possibility. You have not
13 said maybe our data was wrong. Maybe we ought to take
14 another look at it. You have said to heck with it for 2010.
15 And the next shot we get at it is 2020.

16 And with the costs rising the way they are, this
17 Government cannot afford one penny overspending anywhere
18 because we are stealing it from our grandchildren.

19 And so for us to totally 180 degrees say no Internet,
20 not going to do it on the 2010 census, says well then, when
21 we get some visionary leadership in 2010, we are going to be
22 10 years behind.

23 And what I am saying is there has got to be some minds
24 out there that can figure out how do we utilize this
25 technology in your area of expertise to save this country

1 money?

2 I cannot believe that we cannot create a way to do it.
3 Whether it is incentivizing, as Senator Carper said. We
4 will give you a \$5 Baskin-Robbins ice cream cone credit or
5 something.

6 Senator Carper. I was thinking of pizza for 4.

7 Senator Coburn. I do not know. But the point is
8 people respond. And to totally reject that, I am having
9 trouble understanding why that has just been totally taken
10 off the table when everything else we are trying to do is to
11 move to that direction. So to me, it is not computing.

12 What I hear, even the data that you give us, it is kind
13 of like this: you have responded, in terms of the Census
14 estimated life cycle cost. But there is no detail. You
15 have got total cost, \$1,707,000,000. No detail on American
16 Community Service. MAF/TIGER, \$534 million. There is no
17 detail where those costs are. All you are doing is listing
18 out what the costs are.

19 What we are asking for is where are the details of the
20 costs? It is kind of what the GAO has said. What makes it
21 up? Why is that not transparent? Why is it not online for
22 all of us to be able to see what those costs are?

23 That is where this Government is going to move. The
24 American people are going to be able to see every penny you
25 spend at the Census department and why. And the same thing

1 for where the GAO spends their money and why, and where we
2 spend our money and why. It is going to become available.

3 And so to not utilize this technology sets us back not
4 just for the 2010 census, it sets us back for the 2020
5 census and the 2030 census. And we cannot afford these cost
6 increases.

7 And I, quite frankly, do not buy that there is nothing
8 to be gained. I think your testimony is 130 million
9 households that you think we are going to have this time?
10 Is that right?

11 Mr. Kincannon. Yes.

12 Senator Coburn. 310 million people?

13 Mr. Kincannon. Yes.

14 Senator Coburn. And that there is no efficiency of
15 scale. That there is nothing to be gained by a larger
16 population. It is all totally offset because the mix and
17 the complexity, and there is a rising number of seniors that
18 that cost--and what is the one tool that we know that will
19 not cost much to use, which is the Internet, and we are
20 throwing it out.

21 Senator Carper. Mr. Kincannon, before you respond, Mr.
22 Chairman let me just throw something out, listening to this
23 exchange.

24 I do not know if there is something that they could do,
25 the Census Bureau could do, in conjunction with the Census

1 in 2010 that would enable us to test a number of different
2 approaches to figure out when the next census rolls around
3 in 2020, we will have had an opportunity to find out what
4 works and what does not work, in terms of getting people to
5 migrate to the Internet.

6 That is just something I would throw out there for your
7 consideration.

8 Mr. Kincannon. We can certainly test, and you do not
9 wait until 2010 to decide what you are doing about 2010.
10 You do not wait till 2020 to see if you examine the question
11 of the Internet again.

12 I think that we should continue testing that in the
13 coming decade and see if we can find ways that either
14 incentivize or people become more accustomed to it.

15 There are a number of things that I would like to say
16 about what you said. First, in the course of every decade,
17 there is a period of time when you plan, when you test, and
18 then you have to lock everything in. The time when we lock
19 everything in always seems unreasonably early to people who
20 sit up here in this neighborhood.

21 Senator Coburn. I understand that.

22 Mr. Kincannon. But we have, as Ms. Farrell said, we
23 have a high risk situation. We have one chance to succeed.
24 And we have to make sure everything is tested and will work
25 right in 2010.

1 Even at that, it is a risky proposition because you do
2 not know what may happen, what mood may strike the public
3 and inflame their concerns on some particular aspect of it
4 and make it difficult for you.

5 We will have natural disasters during censuses, a big
6 hurricane, a volcano exploding, all of these things have
7 happened in Census times. And we have to cope with it. But
8 they never affect the entire country.

9 So we have tested, and these were extensive,
10 significant tests. They do not show us how they are going
11 to reduce significantly the cost of the census.

12 And they do increase costs. You talk about we all do
13 online banking. Me, too. I do online banking probably
14 every week, 3 weeks out of 4, at any rate. And I do that
15 with a well established set of software and high security
16 that is developed because the clients of that bank use that
17 every week, and any of them every day, I am sure.

18 We are talking about something that will be used once a
19 decade. That means the investment in security costs
20 particularly are going to be very substantial and not spread
21 over long periods of time.

22 Senator Coburn. You already have that investment in
23 security on your American Community Survey that you are
24 doing now. That is not secure?

25 Mr. Kincannon. We do not accept reports. We tested

1 but it did not work out to use the Internet as reporting.

2 Senator Coburn. But the point is was there not
3 security associated with that?

4 Mr. Kincannon. There is security in the way that we
5 collect--

6 Senator Coburn. Was there security associated with the
7 other data that you collect?

8 Mr. Kincannon. Yes, sir, but that is not the same
9 thing as security on an Internet site. That is a separate
10 set of issues.

11 Senator Coburn. I am talking about the people who
12 respond to you on the Internet now, like your testimony was
13 earlier, that you collect 2 different sets of information
14 now that are filed online. Is that not secure information?

15 Mr. Kincannon. It is. And those reports come to us on
16 monthly and quarterly and even daily basis. So it is a
17 system that is in constant use.

18 Senator Coburn. I do not understand if somebody uses
19 something once how that changes the complexity of the
20 security of a system that would make it unusable for people
21 in this country.

22 Mr. Kincannon. It is a difference system because you
23 are getting different inputs from different kinds of
24 respondents. You would have to build something different
25 for the 2010 census.

1 Senator Coburn. The number of questions on a census
2 survey is how many?

3 Mr. Kincannon. On the short form? It is about 8
4 questions.

5 Senator Coburn. All right, 8 questions. And I want
6 all the Internet designers out there in the world that are
7 doing right now 8 questions on 130 million homes, what does
8 it cost, and what is the technology that has already been
9 developed a number of times in this country, with it is
10 banking or the IRS or everybody else that has already
11 developed the security.

12 That is not a satisfactory answer. That data, that
13 technology is already out there. That is a \$25 million cost
14 at the most. We have already talked with all the vendors
15 around the country. We spent the time doing it. That is
16 not a satisfactory answer. That is not a reason not to do
17 it.

18 Again, I just go back, if it is a \$10 cost, and it may
19 not be \$10. It may be \$7. That may be why the numbers do
20 not add up. But if your variable costs in mailing out a
21 censuses is \$10 per household, all you have to do is get 8
22 households to file online to totally pay for one that is a
23 non-responder.

24 If it were me, I would be sitting there looking at how
25 the world do we get 80 million people in this country, 80

1 million households, to respond online? In other words, ask
2 the question the other way?

3 The technology is not a problem. You would agree with
4 that. The technology can be gotten.

5 Mr. Kincannon. It can be gotten, but it is not
6 cost-free.

7 Senator Coburn. No, it is not cost-free but what was
8 the contract cost that you had on the contract that you al
9 terminated?

10 Mr. Kincannon. I am sorry?

11 Senator Coburn. What was the cost of the contract that
12 you terminated for online Internet census?

13 Mr. Kincannon. I am not sure that we terminated a
14 contract.

15 Senator Coburn. A \$7 million contract with Lockheed.

16 Mr. Kincannon. We spent \$7 million for the first 2
17 years of work on this with Lockheed.

18 Senator Coburn. What was the total contract price?

19 Mr. Kincannon. The total contract would have been an
20 additional \$30 million. But the price to pay for that also
21 meant that there would be no--they would not be able to
22 provide the DRIS for the dress rehearsal.

23 Senator Coburn. Do you mean, they could not do both?
24 Lockheed could not do it? Or we just did not negotiate a
25 contract for it?

1 Mr. Kincannon. They could not do both in that time
2 schedule within the budget that was appropriated to us, of
3 course.

4 Senator Coburn. People who file their income tax
5 returns, individuals, do it once a year. Once a year with
6 the IRS, that is all they file. And you know, 70 million of
7 them did that this last April. How do you explain that,
8 when you say people cannot file once a year or every 10
9 years? They cannot negotiate the Internet to file a census
10 return?

11 Mr. Kincannon. 90 percent of those who filed had a
12 considerable incentive because they were getting a refund.
13 And in addition, they paid \$30, \$40 or \$50 for the software
14 provided by a private-sector firm to fill out. And then
15 they reported to the software vendor, which then relayed it
16 to the IRS.

17 Senator Coburn. Right, and that is a 30-page form, and
18 we are talking about a single page form with 8 questions on
19 it.

20 Mr. Kincannon. Yes.

21 Senator Coburn. So the cost difference is not there.
22 I am still astounded.

23 Mr. Kincannon. The cost is paid. The cost for that
24 kind of filing is paid for by the filer of the taxes.

25 Senator Coburn. Let me go back and ask a question.

1 What is wrong with this question? How is it that we, at the
2 Census Bureau, figure out a way to reduce the cost by
3 incentivizing online filing or online participation with the
4 census, so that we have a greater participation, less mail
5 out, and less non-compliance? Where is the answers to that?

6 Mr. Kincannon. The answer to that is in 2011 and 2012,
7 not in 2010. We do not have time to test and prove and
8 rehearse with a significantly changed method of taking in
9 the data.

10 Senator Coburn. When did we start looking at online?

11 Mr. Kincannon. Before, in 2001, I suppose because we--

12 Senator Coburn. You had a sample on it in 2000.

13 Mr. Kincannon. Yes, then we looked at it before that.

14 We had that evidence. I thought you meant for this decade.

15 We started probably in 2001 getting ready for the test
16 in 2003, which was the first of the quarter million size
17 test of Internet.

18 Senator Coburn. There is some question about your
19 handheld devices for your enumerators and the accuracy and
20 efficiency of those. Could you address those for me and
21 tell me where we are?

22 Mr. Kincannon. Yes, Chairman. We have awarded a
23 contract this spring to the Harris Company to develop the
24 handheld devices that will meet our requirements and will be
25 tested in the dress rehearsal and used in 2010. We used

1 devices that we made ourselves for testing leading up to
2 that, so that we could test the different aspects of using
3 it.

4 The devices we built were far less efficient than those
5 that can be provided by the private sector, but we learned
6 from those tests: A, that someone else could do that task
7 for us better than we could do it; but B, that the
8 functionality could be handled on handheld devices both for
9 address listing and update, for payrolling, for sending maps
10 to enumerators, for revising their day's assignment for
11 non-response follow-up based on late receipts.

12 In the test in Austin, we saved useless calls on
13 people, 17,000 cases, where households had sent their
14 questionnaires back late. And so that saved more
15 than--proportionately more than the Internet would save, if
16 you are looking at that.

17 Senator Coburn. So do you have a functioning model
18 that works today?

19 Mr. Kincannon. We had a functioning model that was
20 used in the test census in--

21 Senator Coburn. It was made by Harris?

22 Mr. Kincannon. No, we made that. I do not know who
23 made it.

24 Harris made it but it was not a production model, not
25 the model that we want for the census.

1 Senator Coleman. That is all going to be automatically
2 download; right? You are not going to hand-download that?
3 That is going to go to a computer and be downloaded; right?

4 Mr. Kincannon. It will go to the computer and be
5 downloaded, at the end of every workday, either wirelessly
6 or overland line, depending on the circumstance and working
7 conditions of that enumerator.

8 Senator Coburn. What happens if they do not work?
9 What is your plan B?

10 Mr. Kincannon. They will work. They have worked. You
11 might as well ask me what happens if the Postal Service
12 refuses to deliver the census forms.

13 Senator Coburn. I am not asking it facetiously. I am
14 asking you what happens if there is a computer glitch and
15 these handheld devices do not work? What is the plan B?

16 Mr. Kincannon. The computer devices have been tested
17 and proven to work.

18 Senator Coburn. All I want you to do is answer my
19 question. What if they do not work?

20 Mr. Kincannon. We have a big problem then.

21 Senator Coburn. So are you going to have to hire more
22 people to do the non-response?

23 Mr. Kincannon. I do not believe that condition will
24 obtain, so I do not--

25 Senator Coburn. So there is no planning. So, as we

1 have talked about this planning of what-ifs and--

2 Mr. Kincannon. We could hire more people. Yes, we
3 could hire more people, sir.

4 Senator Coburn. Is it not true that GAO has said that
5 this handheld device is a huge risk in their testimony?

6 Mr. Kincannon. I do not know the precise formulation
7 of words, but they say there is a risk associated with using
8 handhelds.

9 Senator Coburn. So your testimony is to me that there
10 is no alternative plan if that does not work?

11 Mr. Kincannon. We have no reason to believe that there
12 is any systematic risk in all the handhelds. That system
13 will work.

14 Senator Coburn. Your testimony today is if that does
15 not work, if GAO's concerns happen to be borne out, there is
16 no alternative plan if it does not work?

17 Mr. Kincannon. We would have hire more people to
18 conduct traditional pencil and paper non-response follow-up?

19 Senator Coburn. You we did in 2010?

20 Mr. Kincannon. Yes, and 1940.

21 Senator Coburn. GAO has raised some concerns about the
22 level of transparency within your budgeting process. Do you
23 believe that your budget estimates are adequately
24 transparent for long-term planning for you, but also for us
25 to watch you and look at you?

1 Mr. Kincannon. I think we can always have improvements
2 in transparency internally for planning, and we endeavor to
3 improve the collection of cost data, the documentation of
4 cost data. But I am sure we still have room for
5 improvement. I do not know, apparently we have not provided
6 to this Committee the degree of transparency that they want.

7 We have provided a lot of information to the
8 Appropriations Committees on both sides, and maybe that same
9 information could be useful to this Committee.

10 Senator Coburn. Let me raise just a couple of other
11 questions and then I want Ms. Farrell to comment on it.

12 You all have a PART evaluation, as every agency within
13 the Executive Branch has. The PART assessment had some
14 concerns that Census Bureau managers are not held
15 accountable for cost containment. Is that a legitimate
16 criticism? And if so, have there been steps made to adjust
17 to that?

18 Mr. Kincannon. I do not recall that particular finding
19 but I believe that managers in the Census Bureau are held
20 accountable for cost containment. But that is a principle
21 that we try to follow. We do not give money to people in
22 plain brown wrappers for them to spend without
23 accountability for doing that.

24 Senator Coburn. I do not think that is what they are
25 talking about. They are talking about systems. The PART

1 assessment is do you have the systems and control to be able
2 to effectively manage and measure and to have performance
3 measurements to know whether or not you have cost
4 containment and whether or not somebody is managing
5 something effectively.

6 Mr. Kincannon. I think that we do for large programs
7 and for continuing programs, in general.

8 Senator Coburn. Thank you.

9 Are there going to be any consequences--and again, not
10 holding you to your 7 percent, let us say 10 or 15. Are
11 there any consequences if you run to \$15 billion? Should
12 there be any consequences to the management inside the
13 Census Bureau if it cost \$15 billion instead of \$11.3
14 billion?

15 Mr. Kincannon. I would think so, yes. That seems
16 reasonable.

17 Senator Coburn. Okay, that is a great answer.

18 Mr. Kincannon. I mean, what do you want me to say?
19 Detail the punishment or retribution or the guidance or
20 what?

21 Senator Coburn. What I am looking for is you have got
22 a PART analysis that says you do not have great management
23 systems in place to measure cost containment. And if you do
24 not, and that is the assessment by the CFOs that look at the
25 PART of each agency. They have this wonderful color-coded

1 network and they are measuring performance on how everybody
2 is improving every year to try to get to the point is if
3 there is no consequences--in other words, should somebody be
4 promoted? Should somebody not be there anymore if, in fact,
5 we do not have good management. That is the question I am
6 asking you.

7 The philosophy is yes or no. I am just asking is there
8 the management tools in there to say--you know it is the
9 expectation of being held accountable. Just like you guys
10 are going to be back here in 8 months to answer some of
11 these questions and see where we are. Because we are not
12 going to spend \$4 billion more to do this. We are not going
13 to do it. The next 2 generations are not going to pay for
14 inefficiency in the Federal Government.

15 So the question is should there be accountability? Is
16 there line management? Is there structure? Are there
17 management tools there to measure? To know before costs get
18 out of control that you know ahead of time that we are
19 getting ready to lose control of costs?

20 That is what the PART assessment is. It is not about
21 personalities, it is about systems.

22 Mr. Kincannon. I do not think it is about
23 personalities. I did not say it was about personalities.

24 I will look at that particular PART finding. I am not
25 aware that that is there, but I will take a look at that and

1 try to understand it better.

2 Yes, I do think there should be--

3 Senator Coburn. When was the last time you looked at
4 the PART system on your agency?

5 Mr. Kincannon. About 2 months ago.

6 Senator Coburn. And you did not notice that that was
7 there?

8 Mr. Kincannon. I looked at summary level PART
9 reporting, yes.

10 Senator Coburn. Ms. Farrell, if you were to look at
11 the Census Bureau right now, from what you all have looked
12 at, and looking at costs for 2010, is there any one
13 particular thing that you would recommend be done to control
14 costs that are not being done today?

15 Ms. Farrell. It is back to what we have been
16 discussing with transparency. It is difficult for us or for
17 you to know where the Bureau is in their planning without
18 more information behind how that \$11 billion was comprised.

19 At the same time, I do think it is important to note
20 that the Bureau has designed this census earlier in this
21 decade compared to where they were at the same point with
22 the last 2000 census. But the question is, we do not know
23 if that \$11 billion, if it is over. It could be under. We
24 really do not know because we have not seen what is behind
25 it.

1 Half of the costs are in the field data collection
2 mechanisms. And what Dr. Kincannon said about the
3 non-response is true, that non-response is probably one of
4 the biggest drivers of the cost.

5 So if you can get hold of that and find out why people
6 are not participating or why it is so difficult to find them
7 and make those corrections, you stand a better chance of
8 increasing your response rate.

9 Senator Coburn. It would make sense though, with the
10 short form being the form used this time, that the response
11 rate should climb significantly.

12 Ms. Farrell. The figures that the Bureau shared with
13 us showed that the short form would probably increase the
14 response rate, I believe, by 1 percent.

15 The bigger bang for the buck is going to be with the
16 targeted second mailing, which I think could be 7 or perhaps
17 greater percentage in increasing that non-response rate.

18 Senator Coburn. One concern I had, in reading your
19 testimony and looking at this, is let us say we are about to
20 get started planning. You are a year away from the 2010
21 census. And let us say we have the same unemployment rate
22 that we have today. Where are you going to get 500,000
23 people to work on the non-responders? And what are you
24 going to have to pay for them? That is a real problem that
25 you are going to be faced with.

1 Mr. Kincannon. Well, we are still 4 years away and I
2 am not aware that anybody is predicting the unemployment
3 rate in 4 years. If the labor market is very tight, it will
4 cost us more to hire people. It cost us more in 2000 to
5 hire people.

6 But we live in a market economy. And if labor is
7 tight, then we will need to pay to get that. We do not have
8 any other source of labor than paying people a reasonably
9 close to market rate.

10 Senator Coburn. Typically, the people that you hire,
11 are they underemployed somewhere else, unemployed or
12 retired? What is the mix of the people that you utilize in
13 this non-responder army that you have?

14 Mr. Kincannon. I do not have any statistical
15 information at my fingertips and I am not sure how thorough
16 that is anyway. We do attract people into the labor force
17 who are not in it, people who are retired, in some cases.
18 People have rather long retirements in this country now, and
19 they like to do something that is interesting and
20 constructive for a period of time.

21 There are still not 100 percent of working age women
22 are engaged, and some like to come back to work for a while.
23 Some use it as a reentry point after childbearing years.
24 There are still women who stay at home and take care of
25 their children and they want a reentry and they find that

1 useful.

2 There are young people who may not have a very good job
3 and they want to add something to their resume.

4 This does not necessarily apply as much to the people
5 working for a short period on non-response follow-up, but we
6 still have tens of thousands of jobs that last a year or
7 more in office work. So there are a variety of sources
8 there.

9 And we also, a lot of this work, the large number of
10 people that do non-response follow-up, basically have to
11 work in late afternoon, evenings and weekends. So it is a
12 second job.

13 Senator Coburn. So they can catch people at home.

14 Mr. Kincannon. Yes, that is right.

15 Senator Coburn. I want to thank each of you. I want
16 to give you, especially you Mr. Kincannon, an opportunity to
17 say anything that you want to say, and offer for the record
18 anything where we have had a disagreement or anything, to
19 make sure that you can put in what you want to have in the
20 record to balance out anything where I might not have seemed
21 fair or been fair with you.

22 Mr. Kincannon. I think you are a hard salesman in your
23 point of view. I would not call you unfair, at least not on
24 this day.

25 Senator Coburn. A lot of people do, so it is fine.

1 Mr. Kincannon. You are coming from a certain point of
2 view and you push at it very hard. That is all right.

3 I think that we have tested fairly the Internet
4 possibility for response at the time that we had to make a
5 decision for what we were going to do with that. That does
6 not mean we foreclose that possibility in the future. And
7 it may be that it will work better and we will learn better
8 ways of incentivizing it in the future.

9 I do not know whether the Congress as a whole would
10 agree to incentivize something that is already a mandatory
11 requirement in the law, but that will be your job maybe to
12 sell that.

13 So I disagree with your point of view that we have out
14 of hand rejected something. We have tested it and not found
15 it produced results that justified our going down that path.

16 I believe that we have constrained cost in the census.
17 And looking at the table of figures put into 2010 constant
18 dollars, the housing unit cost increase in the decade of the
19 1980s leading up to the 1990 census was half that of the
20 increase in the previous decade. I was Deputy Director in
21 that period. I did not do that alone, but a lot of people
22 working in the Census Bureau were conscious of the need to
23 constrain growth in costs. And we were successful.

24 This may not meet your standard, but still it is
25 cutting in half the rate of increase. And the projected

1 rate of change for--

2 Senator Coburn. It is. Our chart shows that. as well.

3 Mr. Kincannon. So I think we have shown that we can be
4 effective in constraining costs. It does not look like we
5 or the Congress or whatever, the Government, was as
6 successful in doing that in the lead up to the 2000 Census.
7 So it shows we can do that and we should continue to be as
8 effective as we can. And avoid late changes in the way that
9 we are going to process the census.

10 Senator Coburn. Which have big impact on your costs.

11 Mr. Kincannon. Yes.

12 Senator Coburn. Let me clarify something, just so
13 those that work with you and your agency. I do not doubt
14 the desires at all or the work ethic of the people who are
15 there. We have a big problem in our country and we have got
16 9 years to fix it, a big asteroid, a financial asteroid is
17 going to hit this country at 2016. And we cannot just look
18 at the census. We have to look everywhere.

19 You are not the only agency. This is our 36th hearing
20 on oversight on waste, fraud and abuse. How do we do it
21 better? ,How do we get accountability, transparency,
22 results? So it is not about the Census Bureau or their
23 employees. it is about how do we get and create the same
24 opportunities for our children and our grandchildren?

25 I appreciate the fact that you have spent a lifetime of

1 service to our country. And my questioning you does not
2 demean that at all and it is not meant to do that, nor any
3 of your employees.

4 And I know a lot of the volunteers that worked in
5 Oklahoma in the last census, and they put in a lot of time.
6 They were happy to do and felt a great part of our country.

7 Nevertheless, every penny, every day that we can save
8 is a standard of living change for our children and our
9 grandchildren. And so we are not going to let up. We are
10 going to keep working it. We are going to keep coming back.
11 We are going to be still hounding you, asking questions.

12 And we do want details. Sometimes inside the forest
13 you cannot see the trees. And so different perspectives.
14 My staff changes mine all the time when I am asking
15 questions and they are asking questions of me.

16 But this idea of transparency. Where do you get your
17 budget numbers? What makes them? What are the assumptions
18 that make those up? What are the components? Why cannot
19 GAO see that? Is there a reason they cannot have that? Is
20 there a reason we cannot have that? What is wrong with
21 that? We have to create that kind of transparency.

22 So your service is appreciated and the fact that what
23 you are doing is very important. We understand that. We
24 are anxious that it be done right but also efficiently.

25 Ms. Farrell, any comments?

1 Ms. Farrell. Sir, I just would like to thank the
2 Bureau for the cooperation we have received from them as we
3 continue to monitor their activities, and to emphasize that
4 we do agree with the Bureau that at this time any
5 significant change to the design could increase costs. But
6 it does not mean that we cannot still be looking for ways
7 that there could be a greater payoff down the road.

8 Senator Coburn. Thank you all, very much. The hearing
9 is adjourned.

10 [Whereupon, at 3:57 p.m., the Subcommittee was
11 adjourned.]